
USAID OFFICE OF INSPECTOR GENERAL

**AUDIT OF USAID/SOUTH AFRICA'S PERFORMANCE MONITORING FOR
SELECTED INDICATORS APPEARING IN THE FY 2003 RESULTS
REVIEW AND RESOURCE REQUEST REPORT**

AUDIT REPORT NUMBER 4-674-02-001-P

NOVEMBER 9, 2001

PRETORIA, SOUTH AFRICA



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

RIG/Pretoria

November 9, 2001

MEMORANDUM

FOR: Mission Director, USAID/South Africa, Dirk W. Dijkerman

FROM: Regional Inspector General/Pretoria, Joseph Farinella

SUBJECT: Audit of USAID/South Africa's Performance Monitoring for
Selected Indicators Appearing in the FY 2003 Results Review
and Resource Request Report, Audit Report
No. 4-674-02-001-P

This memorandum is our report on the subject audit. In finalizing this report, we considered management's comments on our draft report. We have included those comments, in their entirety, as Appendix II to this report.

This report contains one recommendation for which final action has been completed upon report issuance.

I appreciate the cooperation and courtesy extended to my staff during the audit.

Summary of Results

Our audit of USAID/South Africa's Performance Monitoring for Selected Indicators Appearing in the FY 2003 Results Review and Resource Request (R4) Report focused on assessing the Mission's internal controls for monitoring performance indicators in accordance with the Automated Directive System (ADS) 201 and other relevant guidance.

Our results showed that for the three indicators tested USAID/South Africa generally monitored performance in accordance with ADS 201 and other relevant guidance. However, there were exceptions. Data reported in the R4 report did not always meet the reporting requirements or quality standards outlined in the ADS and R4 guidance.

These issues are discussed in more detail in the Audit Findings section of this report.

Background

The Government Performance and Results Act of 1993 (Results Act) was passed to improve federal program effectiveness and public accountability by promoting a new focus on results, service quality and customer satisfaction. The Results Act was expected to improve federal manager's service delivery by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality. Congressional decision making was also expected to be improved by receipt of more objective information on the status of efforts to achieve statutory objectives and on the relative effectiveness and efficiency of federal programs and spending.

In 1995, the USAID developed a new reporting system that included the R4 report. This is the most significant performance report that operating units send annually to their respective bureaus. The ADS requires that information in the R4 reports is used, as appropriate, for internal analyses, responding to external inquiries and USAID-wide results, including Results Act reporting. Planning for the annual budget submission to the Office of Management and Budget (OMB) involves the incorporation of the operating unit's R4 information into an overall program and budget plan for individual bureaus. Thus making the R4 report an important aspect to the budget submission to the OMB.

In March 2001, USAID/South Africa submitted its annual R4 report, which highlighted the Mission's significant progress made in fiscal year 2000 toward the achievement of its overall strategic objectives and requested resources needed for FY 2003. The Mission's annual R4 report is an assessment report that requires managers to: (1) establish performance indicators, (2) prepare performance monitoring plans, (3) set performance baselines, (4) collect performance data and (5) assess data quality.

Audit Objective

RIG/Pretoria, as part of an USAID-wide review, performed this audit to answer the following question:

Did USAID/South Africa monitor performance in accordance with Automated Directive System 201 and other relevant guidance as demonstrated by indicators appearing in its FY 2003 Results Review and Resource Request report?

Appendix I provides a complete discussion of the scope and methodology for this audit.

Audit Findings

Did USAID/South Africa monitor performance in accordance with Automated Directive System 201 and other relevant guidance as demonstrated by indicators appearing in its FY 2003 Results Review and Resource Request report?

For the items tested, USAID/South Africa generally monitored performance in accordance with ADS 201 and other relevant guidance as demonstrated by selected indicators appearing in its FY 2003 R4 Report. However, there were exceptions. Specifically, the Mission did not disclose known data limitations or document data quality assessments in the R4 report. In addition, the Mission reported data that did not meet the quality standards for R4 indicators. We selected one performance indicator from each of the Mission's three largest dollar strategic objectives. Thus, our review covered three indicators. These areas are discussed below.

The Mission's R4 Report Did Not Meet the Reporting Requirements

ADS 203, R4 Report Content states, "Any data quality limitations must be noted in either the text or in the notes section of the data table."

ADS 203, Assessing the Quality of Performance Data states that the operating units must document the assessment in the "Comment" section of the R4 performance data table. Also, documentation of the assessment should be retained in the strategic objective team's performance management files.

To supplement the ADS, USAID/Washington issued R4 guidance to assist the Missions in preparing their fiscal year 2003 R4 reports.

The Performance Data Tables section of the guidance states,

"Use the "comment" section of each data table to elaborate on the following:

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- whether and how the operating unit assessed the reliability of performance data provided by others (e.g. contractors, host government); and
 - significant data limitations and their implications for measuring performance results against anticipated performance targets.”

The Mission developed individual performance monitoring plans with the required elements as described by ADS 201 for the selected indicators. According to ADS 201, Planning for Performance Management, the performance monitoring plans act as a tool to plan and manage the R4 data collection process to meet quality standards for R4 reporting. ADS 201 further outlines required elements, which must be contained in the performance monitoring plans. One of the required elements of the plan is to describe the known data limitations, discuss the significance of the limitations in judging the extent to which goals have been achieved and describe completed or planned actions to address limitations. Another required element of the performance monitoring plan is to describe the data quality assessment procedures that will be used to verify and validate the measured value of actual performance.

While the Mission reported the known data limitations and described the data quality assessment procedures in their individual performance monitoring plans, the Mission did not disclose known data limitations or document the data quality assessments in the R4 report, for the selected indicators. Mission officials stated that, historically, the comment section of the R4 report had been used to provide a further description of the indicator itself and it was used in this manner for reporting the fiscal year 2000 performance data as well.

The first indicator measured the percentage of national local government legislation that was passed constituting a prerequisite to the final phase of transition from apartheid to constitutional local government. The performance monitoring plan disclosed that the indicator did not gauge the quality of a given law and did not provide information on the enactment of the laws. This data limitation was not disclosed in the R4 report. While, the quality of the data was assessed for this indicator at the establishment of the indicator it was not documented in the R4 report.

The second indicator measured the number of participants from previously disadvantaged communities that completed professional, occupational and skill training programs funded by USAID. The data limitation disclosed in the performance monitoring plan was not disclosed in the R4 report. While, the Mission stated that the quality of the data for this indicator was assessed at the establishment of the indicator, it was not documented in the R4 report and supporting documentation was not retained in the files to validate the assessment.

The third indicator measured the percentage of clinics that had condoms easily available and could be taken freely. The primary source documentation stated that the sample size and the sampling methodology were changed in 1999 and 2000. It further stated that direct comparison of the year 2000 data with previous years' data should be done with caution because the clinics surveyed in 1997 (baseline year) and 1999 are different. This data limitation was not disclosed in the R4 report. The quality of the data was assessed for this indicator when it was established; however, the assessment was not documented in the R4 report.

Reported Data Did Not Meet the Quality Standards for R4 Indicators

The ADS 203, "Quality Standards for R4 Indicators," states that performance data reported in the R4 should be as complete, accurate and consistent as management needs and resources permit. In addition, to be useful in managing results and credible for reporting, R4 performance data should meet reasonable standards of validity, reliability, timeliness, precision and integrity.

For one indicator, the Mission reported data in its FY 2003 R4 report that did not meet the quality standards for R4 indicators.

This indicator measured the number of participants completing education and training programs funded by USAID. In the R4 report, the Mission identified the number of participants that completed the training programs, as well as the data sources used to collect the results. The Mission reported that 1159 participants completed education and training programs funded by USAID. 97 of the 1159 participants completed scholarship/long-term training. However, the following errors occurred in reporting the results.

- The number of participants completing long-term training programs was incorrect. The R4 report showed 97 participants graduating from scholarship/long-term training; whereas, supporting documentation showed 126 participants graduating from the programs. The Mission stated that this was caused by a transcription error in the R4 report. However, this error affects the validity of the data. ADS 203 states that data are valid to the extent that they clearly, directly and adequately represent the result that was intended to be measured. Measurement errors, unrepresentative sampling and simple transcription errors may adversely affect data validity.
- The data source identified in the R4 report was incorrect. The R4 identified the data source as grantee's semi-annual reports. However, the grantees' semi-annual reports did not contain the necessary information to report the results for this indicator. The actual data source used were

“replicas” of the performance monitoring plan completed by the grantees. The Agency’s guidance, TIPS Number 12, states that the same or comparable data collection instruments and procedures should be used to ensure that the data is reliable and consistent from year to year. Additionally, TIPS 7 states that the operating unit should be as specific as possible about the data source so that the same source can be used routinely. Switching data sources can lead to inconsistencies and misinterpretations.

- The list of data sources identified in the R4 report was inaccurate and incomplete. Two grantees that submitted information for this indicator were not identified as data sources and one grantee was erroneously listed as a data source. The source is the entity from which the data are obtained. ADS 203 states that data are valid to the extent that they clearly, directly and adequately represent the result that was intended to be measured. Measurement errors, unrepresentative sampling and simple transcription errors may adversely affect data validity.

Overall, reporting errors occurred because although a number of people are involved in the preparation of the R4 data, a complete and independent review of the information was not made before it was finalized.

Without reporting known data limitations and documenting data quality assessments in the R4 report, there is a potential for managers to make inaccurate assessments of the program’s progress.

We believe that instituting a practice to have someone to review or check R4 data before it is finalized and reported will provide additional assurance that the data is accurate, supported and complete.

Recommendation No. 1: We recommend that the USAID/South Africa establish a procedure requiring independent reviews or checks to verify that all data represented in the Mission’s Results Review and Resources Request reports is accurate in all respects.

**Management
Comments and
Our Evaluation**

In response to our recommendation USAID/South Africa developed the following procedure to ensure of the accuracy of all data reported in the R4 report or successor document.

The Mission Strategic Objective teams will continue to be responsible for collecting and accurately reporting performance data, from primary and secondary sources such as grantees and partners, in the R4 or successor document. The Mission Program and Project Development Office (PPDO) will review and independently verify the data sources and ensure that the data are accurately reported in the R4 or successor document. PPDO also will serve as a repository for data source documents for all performance data reported in the R4 or successor document.

On November 1, 2001, USAID/South Africa issued Mission Notice 2001-168 implementing the procedure immediately.

Based on the foregoing, final action has been completed upon report issuance.

**Scope and
Methodology****Scope**

Our audit of USAID/South Africa's controls over performance monitoring was performed in accordance with generally accepted government auditing standards. The audit focused on assessing the Mission's internal controls in place for monitoring the performance of the selected indicators. This audit was part of the Government Management and Results Act (GMRA) audit that was conducted USAID-wide.

Our audit work was limited to the fiscal year 2000 performance data reported in the fiscal year 2003 R4 report. The FY 2003 R4 report, which is prepared in FY 2001, highlights the Mission's performance and results achieved by each strategic objective in FY 2000. The report also requests resources for the next two years based on those performance results. Therefore, we reviewed the FY 2003 R4 report. We did not assess the quality of the performance indicators or the performance baselines. Furthermore, we did not review and our report does not cover the entire R4 report.

In collaboration with the Mission, we judgmentally selected one performance indicator from each of the three largest budgeted dollar strategic objectives in fiscal year 2000. The Mission presented 14 performance indicators in the R4 report for the three strategic objectives. We selected three for review.

In fiscal year 2000, USAID/South Africa had six strategic objectives with a funding level of \$47 million. Of the six strategic objectives (SO), the three with the largest budgeted dollars were SO1—Democracy and Governance, SO2—Education and SO3—Health. SO1 accounted for \$11 million or 23 percent of the \$47 million funding level, SO2 accounted for \$11 million or 23 percent and SO3 accounted for \$8 million or 18 percent.

The indicators selected were:

1. SO1—Local Government Transformation Policy,
2. SO2—Number of learners/trainees completing education and training programs sponsored by USAID, and
3. SO3—Condom Availability.

The audit was conducted at USAID/South Africa in Pretoria, South Africa from July 2 – July 26, 2001.

Methodology

Our review included reviewing and evaluating the six tools described by ADS 203, Assessing and Learning Tools, which are: (1) performance monitoring plans, (2) portfolio reviews, (3) evaluations, (4) Results Review and Resource Requests (R4s), (5) SO close out reports and special studies and (6) data from outside sources. These tools assist a strategic objective team in gathering and using information in order to make informed management decisions.

Specifically, we determined whether the Mission developed a performance monitoring plan for each indicator and implemented the plan in preparing the R4 report. We evaluated the performance monitoring plans to ensure that it contained the required elements outlined in the ADS 201. The required elements included:

- a detail description of the indicator that set forth all technical elements of the indicator;
- a list of all data sources;
- the data collection method in sufficient detail to enable it to be applied consistently in subsequent years;
- the frequency and schedule of the data collection;
- the personnel responsible for collecting the data; and
- the data quality assessment that was conducted either at the establishment of the indicator or within the three year timeframe.

In addition, we reviewed the performance data tables in the R4 report for the selected indicators to determine whether the Mission:

- reported data that was adequately supported by source documents;
- disclosed known data limitations (if any) in the comments section of the report;
- used the data sources identified in the performance monitoring plan;
- adhered to the schedule of data collection set forth in the performance monitoring plan;
- documented the data quality assessment that was conducted in the comments section of the report; and
- reported data that met the R4 quality standards.

In addition, we reviewed portfolio reviews, evaluations, SO close out reports and special studies and data from outside sources for the selected indicators.

The performance monitoring requirements of ADS 201 are relevant to the indicators in the annual R4 reports because those requirements seek to provide reasonable assurance that data reported meet USAID's quality standards.

An error threshold of plus or minus five percent was used to assess whether the reported results agreed with source documentation.

Management Comments



U.S. AGENCY FOR
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October 29, 2001

Mr. Joseph Farinella
Regional Inspector General/Pretoria
U.S. Agency for International Development
Pretoria, South Africa

Dear Mr. Farinella,

USAID/South Africa has reviewed your memo on the "Audit of USAID/South Africa's Performance Monitoring for Selected Indicators Appearing in the FY 2003 Results Review and Resource Request (R4)." In response to the one recommendation for Mission action, we have developed the following procedure to ensure the independent review of data reported in the R4 or successor document "to verify that [they are] accurate in all respects."

The Mission Strategic Objective teams will continue to be responsible for collecting and accurately reporting performance data, from primary and secondary sources such as grantees and partners, in the R4 or successor document. The Mission Program and Project Development Office (PPDO) will review and independently verify the data sources and ensure that the data are accurately reported in the R4 or successor document. PPDO also will serve as a repository for data source documents for all performance data reported in the R4 or successor document.

Should you have any questions or require clarification on this response, please feel free to contact Henderson Patrick in the Program and Project Development Office.

Sincerely,

Dirk W. Dijkerman
Mission Director
USAID/South Africa

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